



Air Canada (TSX:AC) Stock: Will it Hit \$100 in 2021?

Description

Most investors analyze potential long-term and short-term investments differently. With short-term investments, people want volatility going in their favour, but they have to time their trades perfectly to get the maximum benefit out of short-term investments. Long-term investments are different. In long-term assets, investors seek stability, dependability, and consistency of growth.

And even though the past is no guarantee of the future when it comes to stock, that's where we look to see how an investment is likely to perform in the future. But there are other factors as well that can reasonably predict long-term success. It can be a powerful competitive edge or a very [dominant position](#) in the market with little to no significant competition.

That's **Air Canada's** ([TSX:AC](#)) edge, and that's why even now when Air Canada stock has experienced a year-long slump, many investors are reasonably hopeful that the stock will rise again.

Chances of Air Canada's valuation soaring

Air Canada has a dominant position in the Canadian airspace. No local airline even comes close, and this gap is only going to widen with Air Canada's acquisition of **Trans AT**. Therefore, it's logical to assume that once the pandemic settles down and air travel resumes to its normal, pre-pandemic levels, Air Canada stock might soar.

Since it has suffered the most during the pandemic due to its status as a leader in the local airline industry, it will likely reap the most benefits when things become normal again. The development and distribution of the vaccine is also a major factor behind this mindset. And the stock did show some vitality after several months when it started climbing in early November and grew over 80%.

But that spike was temporary, and the stock has been dipping again for almost four weeks now. Even if the stock offers few more temporary surges like that in 2021, its chances of breaking into a three-digit price tag are very low. It would be quite a feat if the stock could reach its pre-pandemic valuation, but even that might not be possible.

The company itself predicted that it might take two to three years before it's operating near pre-pandemic levels, and we aren't even halfway there.

A dark future

Air Canada is set to release its fourth-quarter earnings in Feb. 2021, along with the yearly report for one of the worst years in the company's history. And the outlook seems bleak at best. The company predicted that it [might burn through](#) over \$1 billion of its cash reserves just to stay afloat. This means another quarter of significant loss is coming.

When Air Canada releases its fourth-quarter results, the stock might take a further dip. Right now, government aid to bail the company out of crisis doesn't seem likely. And even if it comes, it might not be good news for the stock valuation.

Foolish takeaway

The stock might not hit \$100 in 2021. But it might start its eventual recovery journey, and if you want to invest in that in hopes that it might double your money, you may want to wait a while before buying. The chances are that the stock might dip below the \$20 price line. Buying at that or a lower valuation will increase the odds of Air Canada doubling your investment.

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